

NEWS IN BRIEF

Perry reduces prototype by 2,000 sq. ft.

PONTIAC, Mich. — Perry is reducing its prototype drug store about 2,000 sq. ft., to 10,880 sq. ft. from 12,500 sq. ft., according to Mickey Kole, president of the company's drug store division.

The chain, which currently operates 183 drug stores, decided to downsize its drug stores to decrease occupancy costs and improve productivity.

Kole said that "marginal merchandise" will be eliminated in the smaller stores. Such merchandise includes non-traditional, exotic items such as paint and plumbing supplies and, in some locations, live animals and boats. Perry, which may have the distinction of being the only drug chain to carry pets, is currently conducting a study to determine the viability of that department.

In line with the elimination of exotic merchandise, Kole said that Perry would expand traditional drug store departments like cosmetics and health & beauty aids.

Big B's 2nd quarter sales rise

BIRMINGHAM, Ala. — Big B reported that earnings for the second quarter increased 3% to \$959,000, or 15¢ a share, from \$930,000, or 14¢ a share, in the same period last year. Sales for the quarter, which ended Aug. 3, were up 17.5% to \$38.3 million from \$32.5 million.

For the first half, profits increased 7.8% to \$2.2 million, or 34¢ a share, from \$2.1 million, or 31¢ a share, in the comparable period a year ago. Sales for the half rose 20.2% to \$83.3 million from \$69.3 million.

Big B, which operates 113 drug stores, five combos and three home health care centers, is in the midst of a heavy capital expansion program, with 20 new units set to open during the current year. Work is also under way on the company's new 240,000-sq.-ft. office and distribution center, which will open this fall.

Rite Aid names Auchey vp

HARRISBURG, Pa. — Rite Aid announced that Donald Auchey has been named vp of store planning. Auchey, who had been vp of facility engineering for Smith Management Corp., the Salt Lake City-based food and drug retailer, will oversee design and construction of new stores as well as the remodeling of existing ones. He is also in charge of the purchase and manufacture of equipment and fixtures used by Rite Aid.

Alco acquires Valdosta

VALLEY FORGE, Pa. — Alco Health Services Corp., the nation's fourth largest drug wholesaler with sales of almost \$1 billion, has acquired Valdosta Drug Co., Valdosta, Ga., for an undisclosed amount of cash. Alco said that the 95-year-old Valdosta, a full-service drug wholesaler with annual sales of more than \$20 million, will remain under the management of president Bobby G. Kent. Alco already does business in the region through Duff Brothers in Chattanooga, Tenn., and Geer Drug in Charleston and Greenville, S.C.

Drug chains sell Calif. lottery tickets

SACRAMENTO — Among the 5,996 California retail chain stores authorized to sell California's new lottery tickets are three drug chains: Longs, Thrifty and Pay Less. The lottery will begin in late September or October.

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Midwest Hook's, SuperRx exchange management

INDIANAPOLIS — The 26 SuperRx stores located in Hook's dominant marketing areas of central Indiana and east central Illinois, have been turned over to Hook's. At the same time, the five Hook's stores in SuperRx-dominated areas, mainly south central Illinois and west central Ohio, have been turned over to SuperRx management.

"The changes are a result of Hook's merger with the Kroger Co., and the reorganization of SuperRx's north cen-



"The changes are a result of Hook's merger with the Kroger Co. and the reorganization of SuperRx's north central region, and should result in operating efficiencies."

J. Douglas Reeves
Hook's chairman, pres.

tral region, and should result in operating efficiencies and improved customer services

for both companies," said J. Douglas Reeves, chairman and president of Hook's.

No change planned

There are no name changes planned for the stores, and each will maintain its current distribution systems.

According to a Hook's official, the SuperRx stores that it now operates will be treated as equal but separate sister stores. "The two stores' logos will appear alongside each other in all advertisements, and all merchandise promoted will be available in both stores," said James Rogers, Hook's vp and director of public relations.

Extending promotion

Customers of SuperRx stores located within Hook's operational areas will be able to take advantage of all promotional and community-related activities. The customers at the 26 SuperRx stores will also be able to use Hook's "Promise" card for customer charges and other special services.

The first of the many expected synergisms of the Hook's SuperRx relationship took place last month when Hook's took over the management of SuperRx's only health care store in Nashville. That store is now being operated as one of Hook's 17 Convalescent Aids Centers.

NWDA: '84 gets good grades on performance, productivity

ALEXANDRIA, Va. — Drug wholesalers recorded a banner year in 1984, following a year in which operating results suffered a slight decline, according to the National Wholesale Druggists' Association.

According to NWDA's 1984 Operating Survey, the performance was particularly strong in expense reduction and productivity gains.

The survey found, for example, that operating expenses as a percentage of net sales dropped to a record low of 6.84% from 7.21% in 1983 and 7.79% the previous year.

Personnel productivity also hit a record, according to the NWDA, as lines per warehouse picking manhour reached 59.01, up from 55.32 last year and 58.60 in 1982.

In addition, gross profit per employee was \$72,280 on a FIFO basis in 1984 vs. \$64,570 in 1983 and \$56,410 the previous year.

LIFO net margin also reached a new peak at 1.42%, compared to 1.37% in 1983 and 1.41% the year before. On a

FIFO basis, the net margin was 1.78% last year, only slightly better than the 1.75% recorded in 1983 and less than the 1.95% achieved the previous year.

Other findings from the survey included the following:

- Average line extension improved to \$20.28 in 1984, compared to \$18.39 in 1983 and \$16.60 the year before.

- After a slight downward turn in 1983, inventory turnover edged upward in 1984 to 7.29 times from 7.27 in 1983.

- Sales per square foot of warehouse space rose to \$798 in 1984, from \$685 the previous year and \$594 in 1982.

- Return on net worth increased to 15.34% from 15.23% in 1983, but was still slightly below the 15.55% recorded the previous year.

- Gross margin continued its decade long decline, hitting 9.39% last year, down from 9.77% in 1983.

- Overall sales were up 12.76%, based on inflationary pressures in the drug industry, but "real" sales growth was up only 4.84%.

NACDS opposes Medicaid change

CHICAGO — NACDS may file a lawsuit against the Health Care Financing Administration (HCFA) to stop an Oct. 1 change in Medicaid policy that would lower pharmacy reimbursements.

Jim Harrison, chairman of the National Association of Chain Drug Stores, made the announcement before a general business session at this year's NACDS Pharmaceutical Conference.

Harrison reaffirmed NACDS' commitment to "leaving no stone unturned in our efforts to stop the Oct. 1 target date."

"Hopefully, such action will not be needed," said Harrison, "but it may be our last recourse if HCFA does not relent."

Under HCFA's proposal, Medicaid reimbursements to pharmacists, currently based on drugs purchased at the average wholesale price, would shift to reimbursements based on the actual acquisition cost, eliminating any "earned" discounts between the two cost-basing methods.

Another issue considered by Harrison to be responsible for eroding profits on prescription sales, that NACDS will follow closely, is preferential pricing and the misinterpretation of the Non-Profit Institutions Act.

"The act is looked upon by many in pharmacy as the root cause of every problem we have, from halitosis to athlete's foot," said Harrison.

Although Harrison admits that it may be somewhat of an exaggeration, he believes the issue of preferential pricing "deserves the rep-

utation it has due to its potentially devastating effect on many aspects of pharmaceutical delivery in America."

Harrison told the attendees that the NACDS will offer constructive suggestions and legislative recommendations to Congress in the hope of "eliminating the widespread abuses that are occurring under the Non-Profit Institutions Act."

The NACDS will recommend to Congress that only bona fide charitable hospitals caring solely for indigent patients be allowed to purchase drugs at preferential prices.

In addition, the chain organization will ask Congress to require stronger regulatory enforcement, including "greater surveillance of all imports, exports and re-imports by the Food and Drug Administration and the U.S. Customs Service to guard against counterfeit medications entering the domestic market."

"Also, we will work to educate the Congress that the current drug distribution system works well and efficiently in bringing quality medications to consumers," said Harrison. "NACDS will devote a significant amount of energy to this issue."

Correction

In the article "OTC buyers detail their dissatisfaction with manufacturers' reps" (Sept. 2 issue), the manufacturer of Lensept was incorrectly identified. Lensept is manufactured by American Optical.

FINANCIAL

Longs income rises

WALNUT CREEK, Calif. — Longs Drug Stores reported that unaudited net income for the second quarter increased 5% to \$9.9 million, or 51¢ a share, from \$9.7 million, or 49¢ a share, in the same period last year.

Unaudited sales for the quarter, which ended Aug. 1, rose 10% to \$355.8 million from \$324.3 million last year.

William Combs, vp-administration and treasurer, said the slowing in profit growth was the result of "increased costs in employee compensation" and a decline in interest income, partly due to lower interest rates.

For the six months, net income was up 7% to \$20.3 million, or 94¢ a share, from \$18.9 million, or 89¢ a share, in the corresponding year-earlier period.

Six-month sales increased 11.4% to \$703.5 million.

The board of directors declared a quarterly dividend of 18¢ per share payable Oct. 3 to holders of common stock on Sept. 3.

At the close of the quarter, Longs operated 196 drug stores in California, Hawaii, Alaska, Arizona, Oregon and Nevada. Five stores have been opened since the beginning of the fiscal year and 16 are under construction.

Perry reports sales, earnings up

PONTIAC, Mich. — Perry Drug reported record sales and earnings for the third quarter ended July 1. The chain said the results reflected "continued progress in the consolidation and integration of its latest acquisitions."

Net earnings for the period increased 69% to \$2.7 million from \$1.6 million in the comparable year-earlier quarter. Earnings per share, restated to reflect a 3-for-2 split announced earlier, would be 27¢ vs. 18¢ last year.

Third quarter sales increased 48% to \$140 million from \$95 million a year earlier.

For the nine months, net earnings increased 30% to

\$7.2 million from \$5.5 million in the same period last year. Earnings per share for the nine months were \$1.09, compared to 92¢ a year ago.

Sales for the nine months increased 37% to \$377 million from \$275 million. Nine-month sales are already higher than all of last year's, the

company said.

"We are obviously pleased by our continued good performance," said Jack A. Robinson, chairman and ceo.

At the end of the third quarter, Perry was operating 183 drug stores and five health care companies in addition to the auto parts stores.

SGC net earnings up 15%

WOODBIDGE, N.J. — Supermarkets General, operator of Pathmark and Purity Supreme supermarkets and drug stores, reported that net earnings for the second quarter increased 15% to \$18 mil-

lion or \$1.01 a share, from \$15.7 million, or 88¢ a share, in the same period last year.

Supermarkets General reported that sales in its free-standing drug stores continued strong during the quarter.

		STOCK PRICE								TREND TO MARKET				EARNINGS/SHARE						P/E	DIVIDENDS			FINANCIAL POSITION					
		From 08/09/85 - 08/26/85								Price Trend (% per day)		Volume Trend (% per day)		Latest 12 Months vs Preceding 12 Months Change		5-Year Annual Growth Rate	Profit Margin	Latest P/E Ratio	Indicated Divd. rate		Last X-Dvd. Date	Last Fiscal Year		Current Ratio	Last Fiscal Year (Per Share)				
Name	Symbol	High	Low	Close	Amt	Pct	High	Low	Last 30 Days	Last 5 Days	Last 30 Days	Last 5 Days	Last Fiscal Year	Amt.	Pct				Amt.	Yield		Revenue	Earnings		Long Term Debt	Common Stock Equity			
		\$	\$	\$	\$	%	\$	\$	%	%	%	%	\$	\$	%	%	%	\$	%	\$ Mil	\$ Mil	\$	\$						
Chain Store transactions																													
Am Stores	ASC	62.13	57.50	57.50	-4.50	-7.26	67.50	35.38	-27	-91	-5.75	8.57	5.71	1.86	Q	49.7	34.0	1.5	10.3	.64	1.1	06-17-85	12118.8	185.5	1.2	37.93	21.40		
Begley Co	BGLY	16.50	15.50	15.50	-.50	-3.13	17.63	15.00	-.08	-1.08	-.51	-50.00	1.26	-.07	Q	-5.0	3.0	1.1	11.7	.72	4.6	04-15-85	66.1	.7	1.7	13.77	18.84		
Big B	BIGB	16.25	14.00	14.00	-1.88	-11.81	19.50	10.38	-10	-1.64	3.25	53.05	.68	.14	Q	25.0	11.0	3.0	20.0	.00	.0	09-21-83	148.1	4.4	2.3	1.20	4.58		
Drug Sys	DRGS	5.88	5.38	5.50	.00	.00	6.13	3.38	-.05	-.59	-2.74	-26.15	.35	-.21	F	-37.5	NC	1.2	15.7	.60	10.9	05-09-85	104.7	1.3	3.0	1.28	5.84		
Eckerd, Jack	ECK	31.00	25.38	30.75	4.50	17.14	32.88	20.00	.31	5.15	8.55	17.36	2.27	-.03	N	-1.4	2.0	3.3	14.3	1.04	3.4	09-09-85	2622.5	85.4	2.0	2.52	16.47		
Fay's Drug	FAY	9.50	8.88	8.88	-.50	-5.33	13.00	8.88	-.29	-.83	1.57	9.33	.62	-.06	Q	-9.5	35.0	2.4	15.6	.20	2.3	06-24-85	366.7	8.7	1.8	1.65	4.28		
Genovese Drug	GDX	12.00	9.88	10.38	-1.88	-15.31	15.88	9.13	-.40	.62	4.00	-12.65	1.03	-.13	Q	-12.7	37.0	1.9	11.7	.20	1.9	06-13-85	220.3	4.1	1.7	2.06	5.73		
Longs Drg Strs	LDG	27.00	24.75	25.88	-1.13	-4.17	31.13	19.63	-.43	.00	4.19	.20	1.88	.18	Q	10.3	9.0	2.9	13.5	.72	2.8	05-29-85	1375.8	40.1	2.1	.00	12.23		
Medicare Glaser	MGCO	5.00	4.50	5.00	.25	5.26	7.00	3.50	.06	3.27	1.17	56.17	.05	-.47	Q	-100.0	NC	.2	NE	.00	.0	00-00-00	81.7	.2	2.2	3.58	3.52		
Perry Drug	PDS	24.25	22.63	23.38	.63	2.75	24.25	16.13	.68	.00	1.42	5.74	1.26	.10	S	8.8	12.0	2.1	18.9	.28	1.2	08-16-85	370.3	7.6	1.5	2.40	10.60		
Revco Drug	RDS	27.00	24.63	26.88	1.75	6.97	32.00	22.50	.33	1.86	1.00	47.14	1.06	-1.48	F	-58.3	2.0	1.6	25.4	.80	3.0	08-19-85	2395.6	38.9	2.1	1.08	12.22		
Rite Aid Corp	RAD	26.38	24.00	24.25	-1.63	-6.28	33.50	22.00	-.14	-1.64	.76	32.39	1.69	.08	Q	5.3	9.0	4.8	15.2	.50	2.1	07-12-85	1445.7	69.9	1.9	2.02	8.58		
Thrifty Co	TFD	19.75	18.50	18.75	-.63	-3.23	22.88	17.13	-.33	-.09	3.30	-37.82	1.40	.24	N	18.2	15.0	2.1	12.0	.60	3.2	05-06-85	1299.3	27.9	1.5	4.46	7.72		
Walgreen Co	WAG	25.75	24.63	25.38	-.25	-.98	30.25	18.75	-.04	.70	.09	-9.04	1.39	.20	N	15.0	20.0	3.1	16.6	.44	1.7	08-12-85	2744.6	85.4	1.7	.87	6.76		
Wholesaler's transactions																													
Bergen Bruns	BBCA	29.88	28.75	29.38	-.25	-.84	32.38	20.13	-.21	-.08	1.04	16.34	1.57	.35	N	22.6	17.0	1.2	15.5	.32	1.1	07-26-85	1703.4	19.7	1.6	1.08	11.11		
Bindley Wstr	BIND	11.00	10.13	10.75	.00	.00	15.00	9.25	-.61	-.42	4.80	-66.18	.73	.16	S	25.8	23.0	.8	13.8	.00	.0	05-01-85	566.7	4.7	1.4	.08	5.46		
Cardinal Distrib	CDIC	17.75	17.00	17.13	-.63	-3.52	18.50	10.91	-.09	-.26	-7.68	16.61	1.01	.17	Q	18.9	NC	1.2	16.0	.08	.5	06-25-85	320.0	3.7	1.8	.92	5.91		
Durr Fillaer	DUFM	13.75	12.88	13.25	.00	.00	15.25	9.81	-.16	-.11	4.16	-59.32	.74	.13	S	19.1	15.0	1.7	16.4	.14	1.1	07-01-85	341.7	5.8	2.3	1.21	6.05		
McKesson Co	MCK	48.88	46.38	48.50	2.13	4.58	50.00	37.00	.18	.38	-.40	-22.89	3.60	-.07	Q	-1.9	-1.0	1.3	13.2	2.40	4.9	08-27-85	4887.1	65.0	1.5	12.99	30.40		
Foxmeyer Co	FXM	25.75	24.50	24.75	-.50	-1.98	29.75	21.00	.36	.10	-.43	-36.50	1.56	.16	Q	11.3	25.0	1.3	15.8	.00	.0	00-00-00	717.1	9.0	2.8	17.31	16.51		
Ketchum	KCH	18.88	17.00	17.88	-.63	-3.38	23.88	13.22	-.23	.29	-.42	-13.11	.58	-.19	F	-24.7	NC	.2	30.8	.00	.0	09-24-84	273.7	.6	1.4	8.18	7.81		
Owens & Minor	OBOD	21.75	20.50	21.50	-.50	2.38	24.25	12.00	-.29	.66	-1.49	39.18	1.43	.29	S	21.6	15.0	1.2	13.2	.40	1.9	06-10-85	306.7	3.6	3.0	8.02	12.81		
Manufacturer's transactions																													
Abbott Labs	ABT	58.00	54.63	57.38	2.00	3.61	60.00	36.75	-.02	.84	-.02	-4.59	3.34	.49	S	15.8	17.0	13.0	16.0	1.40	2.4	07-09-85	3104.0	402.6	1.9	3.91	13.33		
Am Home Prod	AHP	60.75	58.00	58.50	-1.75	-2.90	66.88	46.75	-.23	-.26	1.53	1.35	4.39	.31	S	7.3	11.0	15.1	12.9	2.90	5.0	05-07-85	4485.5	675.6	3.4	.26	13.74		
Baxter Travenol	BAX	14.50	13.50	14.38	.25	1.77	16.88	11.75	-.20	.78	-.47	-16.66	1.03	-.40	S	-28.6	5.0	8.1	14.4	.37	2.6	09-09-85	1800.4	145.1	1.6	1.46	7.83		
Block Drugs Co	BLOCA	40.25	38.50	39.00	.50	1.30	40.50	25.72	.29	.15	-2.54	.00	3.48	.36	Q	11.1	11.0	10.5	10.9	1.00	2.6	08-27-85	247.8	25.9	2.4	3.28	22.47		
Bolar Pharm	BLR	18.75	12.38	14.00	-4.50	-24.32	22.63	11.25	-1.65	.27	10.92	-10.13	.61	.13	S	22.8	23.0	18.2	20.0	.03	.2	08-06-85	29.1	5.3	7.5	.00	3.70		
Bristol-Myers	BMJ	60.13	58.25	58.75	-.75	-1.26	66.50	43.63	-.20	-.13	-.39	-19.38	3.45	.41	S	12.7	14.0	11.3	16.1	1.88	3.2	06-28-85	4189.4	472.4	2.5	.75	15.63		
Carter-Wallace	CAR	36.25	33.00	36.25	2.25	6.62	46.63	22.00	-1.15	2.30	-.32	15.54	2.66	.38	Q	15.3	20.0	5.9	12.6	.60	1.7	07-26-85	348.8	20.7	2.2	1.53	23.37		
Forest Labs	FRX	27.00	24.25	25.00	-1.50	-5.66	32.50	12.13	-.61	.00	-.32	-29.43	.73	.22	Q	39.3	14.0	17.4	32.1	.00	.0	01-14-83	24.1	4.2	4.5	.22	5.90		
ICN Pharm	ICN	10.00	8.50	10.00	.13	1.27	12.25	7.88	-.50	3.06	2.94	-1.80	.00	-.09	S	-47.4	NC	1.6	NM	.00	.0	00-00-00	44.8	.7	3.0	2.43	4.50		
Key Pharm	KPH	11.63	10.50	11.38	-.13	-1.09	16.25	8.00	-.10	1.84	-.315	18.63	.61	-.04	S	-6.7	57.0	14.6	20.3	.20	1.8	06-10-85	151.1	22.1	3.4	2.52	1.60		
Lilly Eli Co	LLY	88.00	82.50	85.75	2.75	3.31	90.38	54.88	.08	-.35	4.17	-24.55	6.73	.48	S	7.4	9.0	15.8	12.2	3.20	3.7	08-09-85	3109.2	490.2	1.7	1.63	31.04		
Lee Pharm	LPH	6.25	5.63	5.75	-.25	-4.17	9.63	2.13	-.58	-1.17	-.337	44.29	.13	.38	N	NE	NC	6.2	24.0	.00	.0	00-00-00	8.1	.5	3.0	.20	1.73		
Marion Labs	MKC	35.38	32.25	34.75	.00	.00	39.75	18.00	-.12	.69	.00	-2.41	.94	.32	F	51.6	34.0	12.2	37.0	.28	.8	09-16-85	295.7	36.2	2.4	.02	3.52		
Merck & Co	MRK	117.75	112.00	115.25	3.50	3.13	117.75	79.75	.14	-.06	.35	-9.57	6.71	.63	S	9.9	5.0	13.8	16.5	3.20	2.8	08-30-85	3559.7	493.0	2.0	2.48	35.29		
Morton Thiokol	MTI	35.38	33.00	33.50	-1.13	-3.25	38.00	25.25	-.18	-.46	.95	-3.55	4.01	1.85	F	85.6	29.0	10.8	8.4	.64	1.9	05-24-85	1832.3	197.9	1.5	2.94	12.50		
Wylin Labs	MYLN	18.75	14.75	17.50	-2.25	-11.39	26.00	10.38	-1.38	-.19	3.40	-41.44	.52	.28	Q	100.0	58.0	23.3	31.3	.05	.3	02-19-85	53.6	12.5	5.9	.09	1.22		
Newport Pharm	NWPH	11.50	10.75	11.25	.38	3.45	12.00	3.25	.40	-.08	-1.59	-12.45	.05	.26	F	NE	NC	6.7	NM	.80	7.1	05-23-85	9.0	.6	3.2	.21	.96		
Pfizer Inc	PFE	49.75	46.75	47.13	-1.63	-3.33	53.75	33.88	-.13	-.96	1.18	-22.26	3.08	.39	S	13.5	15.0	13.2	14.4	1.48	3.1	07-26-85	3854.5	507.9	2.3	2.10	15.45		
Reid Prov Labs	REID	5.00	4.25	4.50	-.50	-10.00	6.63	2.88	-1.12	-.07	1.85	-22.75	.13	-.07	N	-35.0	32.0	6.7	34.6	.04	.9	12-10-84	13.4	.9	3.1	.02	.92		
Robins, AH	RAH	11.88	5.50	8.13	-2.88	-26.14	24.38	5.50	-2.51	-5.57	.39	1.69	-18.44	-.20	13	S	-100.0	NC	-73.0	NE	.00	.0	11-19-84	631.9	-461.6	1.7	.47	-5.23	
Rorer Group	ROR	39.50	33.13	38.88	4.88	14.34	39.50	24.00	.12	4.00	6.04	63.86	2.08	-.03	S	-1.4	5.0	8.5	18.7	1.12	2.9	08-05-85	522.1	44.3	1.9	2.18	11.07		
Scherer RP Co	SCHC	13.00	12.13	13.00	.38	2.97	13.25	8.63	.25	1.00	-2.25	61.23	-.43	-.96	Q	-100.0	NC	-2.0	NE	.32	2.5	09-11-85	167.4	-.34	1.9	4.83	11.14		
Searle, GD	SRL	65.00	64.75	64.75	-.13	-.19	65.50	46.50	.30	.12	-10.85	18.13	3.24	.09	S	2.6	13.0	13.0	17.9	1.00	1.5	08-02-85	1245.8	161.6	2.1	3.46	17.37		
Squibb Corp	SOB	70.13	67.75	68.00	-2.00	-2.86	72.88	45.00	.03	-.24	-2.56	-34.42	3.																

MERCHANDISER

Combo operators accelerate growth plans

Synergism may be one of the most overworked buzzwords of the 80's. But it seems as if it were invented to describe combos:

Huge food and drug stores, the food pulling enormous traffic and the drug/gm portion boosting narrow food margins. One and one make three. What could be better?

Not much, in the estimation of the nation's biggest food retailers, who have invested heavily in the development and expansion of these one-stop shopping behemoths.

Consider the following:

—American Stores, whose chairman, Sam Skaggs, has long been the leading exponent of the format, plans to open 36 in fiscal 1986. Analysts say that fully 30% of American's capital expenditures will be sunk into their development. With the acquisition of Jewel Companies, American now operates some 250 combination stores.

—The Kroger Co. expects to have more than 500 combos in operation by the end of 1987. The number may be misleading, however, since Sam Skaggs would undoubtedly call many of Kroger's combos "superstores" with pharmacies. Whatever the definition, Kroger says that combos by 1987 will make up 45% of its food stores but will deliver 65% of food store sales.

—Albertson's, which operates combos in some of the most attractive Sunbelt markets, has scheduled 30 to 32 new stores for 1985, one-third of them in the 47,000-67,000-sq.-ft. combo range. The company has looked at other types of retail ventures, including drug stores, but vice chairman Gary Michaels says the Boise, Idaho-based retailer is "going to stay in the food and drug combo business. We like the stores we're building."

—Giant Food, the Landover, Md., based food/drug retailer, has 23 food and drug combos set to open within the next three years. The additions will boost total store space by 25% or more than 1.1 million sq. ft.

These represent just a handful of the companies that are committing themselves to expanding what Bill Bishop, a leading supermarket consultant, calls "one of the two primary vehicles for selling grocery and drug products in urban areas." The other vehicle, of course, is the warehouse-style store.

Bishop says there are "a lot of reasons" why combos have proven so attractive, "but probably the most important is that these stores can be price competitive on a lot of items and still return a reason-

Leading combo operators							
Company	Headquarters	# of stores			Avg. Sq. Ft.		
		'84	'85	'86	'84	'85	'86
The Kroger Co.	Cincinnati	425	443	N/A	46,500	46,500	N/A
Kroger		301	313	N/A	—	—	—
Dillon		124	130	N/A	—	—	—
Safeway Stores	Oakland, Calif.	360	390	440	N/A	N/A	N/A
American Stores	Salt Lake City	240	249	N/A	N/A	N/A	N/A
Buttrey-Osco		—	3	N/A	—	—	—
Buttrey		—	42	N/A	—	—	—
Jewel-Osco		—	108	N/A	—	—	—
Skaggs/Alpha Beta		—	96	N/A	—	—	—
Supermarkets General (Pathmark)	Woodbridge, N.J.	119	124	N/A	31,000	38,000	N/A
Albertson's	Boise, Idaho	82	94	106	50,000	54,000	59,000
Giant Foods Inc.	Landover, Md.	74	75	98 ('86-'88)	52,700	52,700	55,300
Smith's Management	Salt Lake City	48	57	70	44,000	44,000	44,000
H. E. Butt	Corpus Christi, Tex.	49	54	60	45,000	45,000	48,000
Raley's	Sacramento	40	41	44	60,000	60,000	60,000
Farm Fresh	Norfolk, Va.	23	34	41	50,000	50,000	50,000
Von's Grocery Co. (Value Centers)	El Monte	N/A	32	N/A	N/A	36,000-40,000	N/A
Wegman's	Rochester	26	28	29	N/A	60,000-90,000	82,000
Cullum Companies (Tom Thumb Page)	Dallas	26	27	34	—	30,000-55,000	45,000-50,000
Grand Union	Elmwood Park, N.J.	23	25	25	N/A	N/A	N/A
Smitty's Super Valu	Phoenix	20	22	24	—	130,000-150,000	—
A&P (Family Mart)	Clearwater, Fla.	20	23	27	—	55,000	—
Furr's	Lubbock, Tex.	14	20	25	45,000	45,000	45,000-55,000
Dahl's Food Markets	Des Moines	12	12	13	—	35,000-60,000	60,000
Stop & Shop	North Quincy, Mass.	8	11	11	—	45,000-60,000	—
Bruno's	Birmingham	1	9	9	—	50,000-60,000	—
Giant Open Air	Norfolk, Va.	5	5	6	—	46,000	—
Dierberg Markets	Chesterfield, Mo.	3	5	5	—	77,000	—
Randall Stores	Mitchell, S.D.	3	3	4	60,000	60,000	45,000

Source: Drug Store News survey

able profit because of the mix."

Another important reason, Bishop says, is that the combo stores are the most resistant to attacks from deep-discount stores.

Beyond all the talk of variety and selection, of one-stop shopping and of food/nonfood synergism is the sheer beauty of these stores. They are seductive. Customers find them fun to shop. There are cosmetics departments that can compete with department stores for attractiveness and chic; colorful produce and floral departments that act as powerful magnets to the eye, and a variety of boutique-style specialty departments including delis and cheese islands and even lobster pounds.

The one key element that

boosts the combo above the ordinary supermarket is the pharmacy department. It is the one essential ingredient in all of the definitions.

In a recent study, the Food Marketing Institute found that the median size of a supermarket with pharmacy was 45,000 sq. ft., compared to the average supermarket without pharmacy, which measures 28,000 sq. ft.

According to the study, the typical supermarket pharmacy accounts for 1% of total square footage and generates 1.2% of sales. That additional two-tenths of a percentage point may not seem like much, but prescription drug volume is just one part of the story.

The real strength of the pharmacy is as a powerful accelerator of health & beauty

aids sales. Peter A. Magowan, chairman of Safeway, has said, in fact, that the addition of pharmacy can increase a supermarket's H&BA sales by as much as four times.

Kroger is a prime example of a company that has accentuated the importance of pharmacy within its food stores. The Cincinnati-based chain recently reported that the business generated by the 300 pharmacies within the Kroger Food Store Group is growing at the rate of 34% a year vs. the national average of 9% for all of pharmacy. Even on a same-store basis, pharmacy sales are up 30% over the previous year.

Pharmacy has also helped over-the-counter drug sales, which have risen 16%. In other nonfoods areas, Kroger re-

ported that cosmetic/fragrance sales are growing at a 40%+ pace per year; greeting card sales are running more than 30% ahead of last year; book store business is up 49% over last year.

Kroger is also actively pursuing new high-growth general merchandising areas.

Overall, Kroger reported that its drug/general merchandise and pharmacy business in the first quarter ran 20.1% ahead of last year's comparable period.

Said Wayne Harris, Kroger's vp of grocery and nonfood merchandising: "When you consider that on a national basis, U.S. food store sales were up only 3.6%, you can readily see why we are building this important part of our business."



Merchandiser:

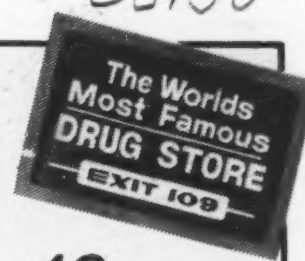
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DRUG STORE NEWS

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'We feel that the kinds of stores and the communities they are located in fit the kind of chain we now operate.'

Douglas Stark
president, Thrifty Drug

Genovese names Allied executive new president

MELVILLE, N.Y. — With an aggressive expansion plan in the works, Genovese Drug Stores has turned to the outside to fill the key No. 2 role in the company's management structure.

Chairman Leonard Genovese announced that Patrick Edwards, a senior executive at Allied Stores, would become president and chief operating officer of the 72-store chain.

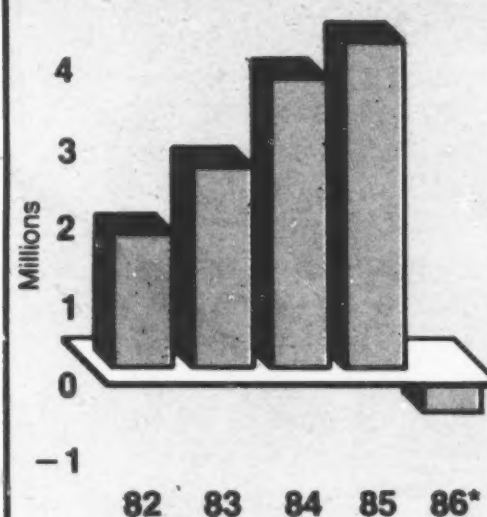
Genovese himself had held the president's title since 1974, when his father and founder of the 61-year-old chain, Joseph Genovese Sr., became chairman emeritus, and his late brother, Joe Jr., moved up to chairman.

Genovese said the addition of Edwards would "strengthen our management strategies for maintaining leadership in quality and value."

"Pat Edwards will bring to Genovese a high level of innovation and sophistication for his many years at Allied Stores," Genovese said.

Edwards, a 20-year Allied Stores veteran, was senior vp of administration and operations when he was selected for the Genovese post. He is also an attorney and a graduate of the Columbia University law school.

Genovese profits fall



*28 weeks, excluding \$2.4 million gain on sale of 9 stores

Don Gross, vp of marketing and distribution, said the company has "a lot of irons in the fire" and had been considering for some time the appointment of a president to relieve Genovese of part of his management burden.

The appointment also comes at a time when Genovese, like a number of other chains, has been feeling strong competitive heat for limited consumer dollars.

In the 12-week quarter ended Aug. 16, a period Gross described as "a disaster," Genovese reported net income of \$1.7 million, or 41¢ a share.

Continued on page 41

Thrifty's White buy to triple sales

ST. LOUIS PARK, Minn. — Thrifty Drug Company, which owns 22 franchised Snyder drug stores in Minnesota, has signed an agreement to buy White Drug Enterprises from Drug Systems Inc.

The transaction, for an undisclosed amount of cash, will be finalized by mid-October and will more than triple Thrifty's annual sales. In 1984, Thrifty had sales of \$23 million while White registered sales of \$58 million.

According to Douglas Stark, president of Thrifty,

negotiations for the chain had been "taking place for a number of months, and were temporarily ended last month, but were resumed when several negotiating points were cleared up." He would not disclose what those points were.

The sale includes 19 White Drug Stores, five prescription clinics, 12 White Mart mass-merchandise marts, a home center and a convalescent aids center. Thirteen of the stores are in Minnesota, 15 in North Dakota, and the rest in Iowa, South Dakota and Montana.

"We feel that the kinds of stores and the communities they are located in fit the kind of chain we now operate," said Stark.

Stark said the stores will retain the White Drug or White Mart name, and will be operated as a wholly owned subsidiary.

Henry Beinert, who was president of the White stores from 1968 through 1979, acted as a consultant to Stark during the negotiations, and has once again been named president of the chain.

Edwards directs Revco turnaround

By Marjorie Shaffer
TWINSBURG, Ohio — After nearly four months as Revco D.S.'s president and coo, Bill Edwards, 44, appears ready to place his own stamp on the nation's largest drug chain.

Edwards succeeded Sidney Dworkin, chairman and ceo,

as president last June. Dworkin had been holding down three jobs, chairman, ceo and president, since February 1983, when Revco's chairman, Lee C. Howley, died.

Edwards directed the dramatic growth of the F&M deep-discount chain from three units in 1978 to 20 today.

He is widely considered a dynamic and sharp retailer with particular expertise in merchandising and purchasing, and it is in those areas where he is expected to have the greatest impact at Revco. The changes he will make are not expected to be radical.

"Revco's top management is stable, but it needs a little fine tuning," said Bob Roth, an analyst who follows the chain at Merrill Lynch. "The key management team could use help in purchasing and merchandising," he added.

Edwards is also said to have revived morale at Revco; which, during the last year, has been struggling with lackluster sales, fierce competition in established markets and a number of internal problems.

Despite a sales increase of 7.5% for the year, net earnings plunged 58% to \$39 million and earnings per share plummeted 58% to \$1.06. Revco's beleaguered Odd Lot division alone cost shareholders

Continued on page 41

Higher profits expected in second half of 1985

NEW YORK — Many drug chains have been flying through what might be described as an economic wind shear, but Wall Street experts predict that the ride will level off in the second half of the year.

With some notable exceptions, after-tax profits have been down or flat, even those of some formerly high-flying companies like Rite Aid and Longs.

Analysts say the reasons for the falloff vary, but there are some overriding factors, among them the sluggish economy, the easing of inflation and the heavy competition for limited consumer dollars.

"The biggest factor is a real slowdown in general merchandise sales across all segments of the retail industry," said Robert Roth, retail analyst for Merrill Lynch.

Roth said he expects the drug chains' performance to be "moderately better" in the second half, with an improved Christmas season.

Elaine M. Garzarelli, sector strategist for Shearson Lehman Brothers, agreed. "We expect profits for the drug chains to be up 11%-12%. That's not fantastic, but certainly better than the 2% we're predicting for the S&P [Standard & Poor's 500 listing]."

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DRUG STORE NEWS...LATE NEWS...LATE NEWS

A coalition of pharmacy, drug industry and professional groups filed a joint suit in federal court challenging the Reagan Administration's imminent plan to bar state Medicaid programs from reimbursing pharmacies based on Average Wholesale Prices. Participants in the 11th-hour suit to block the scheduled Oct. 1, AWP ban include NACDS, NARD, APhA, NWDA, PMA, ASHP and ASCP.

Liability bill threatens

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